



Audit – January 2015 to December 2015

AUDIT OF PSP DIAL AROUND COMPENSATION COMPLIANCE

Management Report of Compliance with Applicable Requirements of the FCC's Rules and Regulations

Section 64.1310 (a) (I)

In the Matter of the Pay Telephone Reclassification and Compensation Provisions of the
Telecommunications Act of 1996

Performed By:

Mass-Tel Communications, Independent Auditors

260 Townsend St, 6th Floor

San Francisco, CA 94107

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Highlights

COMPLIANCE

To Comply with FCC Regulations, Iowa Communications Network (ICN) makes the following assertions, where ICN is identified as the Completing Carrier;

FCC compliance § 64.1320 (c) Subsection (1)
Whether the Completing Carrier's procedures accurately track calls to completion.

FCC compliance § 64.1320 (c) Subsection (2)
Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.

FCC compliance § 64.1320 (c) Subsection (3)
Whether the Completing Carrier has effective data monitoring procedures.

FCC compliance § 64.1320 (c) Subsection (4)
Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.

FCC compliance § 64.1320 (c) Subsection (5)
Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.

FCC compliance § 64.1320 (c) Subsection (6)

Whether the Completing Carrier has procedures to incorporate call data into required reports.

FCC compliance § 64.1320 (c) Subsection (7)

Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes.

FCC compliance § 64.1320 (c) Subsection (8)

Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.

FCC compliance § 64.1320 (c) Subsection (9)

Whether the Completing Carrier has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to:

- (i) Identify calls which originated from payphones;*
- (ii) Identify compensable payphone calls;*
- (iii) Identify incomplete or otherwise non-compensable calls; and*
- (iv) Determine the identities of the payphone service providers to which the Completing Carrier owes compensation.*

Introduction and Regulatory History

Since the implementation of the Telecommunications Act of 1996, there have been significant discussions among carriers (“Inter-Exchange Carriers”¹) and “Completing Carriers” and payphone service providers (PSPs) as to how to best ensure that payphone owners are fairly compensated for coinless calls that originate on their asset(s).

On September 30, 2003, after two prior rulings, the Federal Communications Commission (FCC) released its Report and Order in CC Docket No 96-128 (FCC 03-235) titled The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996. In this latest ruling, the FCC adopted new payphone compensation rules.

These rules place responsibility on the completing carrier to establish a call-tracking system and to compensate PSP’s for coinless payphone-originated calls that are completed by that carrier. Carriers are required to:

- Establish call tracking systems
- Have an independent third-party auditor attest that the system accurately tracks payphone calls to completion
- Pay PSP’s directly, based on the carrier’s own call tracking data.

The FCC rules also define new reporting requirements for intermediate carriers, although no attestation is required.

The Requirements set forth by the FCC take effect the first day of the first full quarter after

the new rules became effective. These rules became effective July 1, 2004.

¹ IXC’s Inter-Exchange Carrier

Iowa Communications Network- Overview

Iowa Communications Network (ICN) operates telecommunications services to the city of Des Moines, the Regents, Polk County, and the public libraries and schools in the state. Many of these facilities and agencies retain 800 numbers for the benefit of their constituents and the taxpayers. When government services are contacted using payphones via 800 numbers, these calls are potentially DAC compensable. At the time an end user places a call, the 800 number connects the call on the underlying carrier network, directs that call to an ICN switch, where the call is received, authenticated, and then sent for termination at the agency. The ICN switch authenticates the payphone origination via infodigits and the termination number, via answer supervision, before it registers the call as connected for the purposes of DAC.

ICN passes initial answer supervision back to the underlying carrier for the 800 portion of the call before it is connected through the switch to the called party. This does not constitute a completed call. Where discrepancies exist between the underlying carrier records and the completing carrier, it is the completing carrier's with visibility into the outcome of the individual calls.

As call records are processed, the information relating to origination, requested termination, header time, and talk time are filed in the switches' platform database, and then downloaded real-time to the Netplus database.

Each month, reports on CDRs (Call Detail Records) are generated by the Netplus Accounting system, using parameters that ensure that all eligible compensation calls appear. In particular, for ICN, all completed calls with a 27, 70, or 07 in the infodigit field are considered eligible for DAC. 29 is an uncommon digit identifier since it indicates a prison payphone, and the state uses a debit account system on specialized phones (not privately owned payphones) for processing inmate calls.

ICN accounting systems process the compensable call data into quarterly files, and Atlantax, third party clearinghouse, reconciles the ANI against calls completed from each company's switch records. Atlantax is responsible for validating the files coming in from the LEC and the PSPs, creating the databases and updating them for the new information and disconnect information each quarter. Calls are sorted into categories by PSP and LEC, or SBR, and invalid claims, meaning ANIs without calls, and calls that are unmatched, are kept in suspense account for later claims.

FCC Requirements for Compliance

The FCC has set down specific directives for reporting compliance with the rules.

§ 64.1320 Payphone Call Tracking System Audits

- (a) As a Precondition to tendering Payment pursuant to section 64.1310(a), all Completing Carriers must undergo a system audit of their section 64.1310(a) (1) tracking system by an independent third-party auditor whose responsibility shall be, using audit methods approved by the American Institute for Certified Public Accountants, to determine whether the call tracking system accurately tracks payphone calls to completion.*
- (b) By the effective date of these rules, each Completing Carrier in paragraph (a) must file an audit report from the auditor (the "System Audit Report") regarding the Completing Carrier's compliance with 64.1310(a) (1) as of the date of the audit with the Commission's Secretary in CC Docket 96-128 and with each payphone service provider for which it completes calls and with each facilities-based long distance carrier from which it receives payphone calls.*
- (c) The Completing Carrier must comply with, and the third party auditor must verify, the Completing Carrier's compliance with the following factors in establishing a call tracking system pursuant to section 64.1310(a)(1):*
 - (1) Whether the Completing Carrier procedures accurately track calls to completion;*
 - (2) Whether the Completing Carrier has a person responsible for*

tracking, compensating, and resolving disputes concerning payphone-completed calls;

- (3) Whether the Completing carrier has effective data-monitoring procedures;*
- (4) Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone tracking ability;*
- (5) Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers;*
- (6) Whether the Completing Carrier has procedures to incorporate call data into required reports;*
- (7) Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes;*
- (8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial; and*
- (9) Whether the Completing Carrier has in place adequate and effective business rules for implementing and paying*

- payphone compensation, including rules used to:*
- i. Identify calls originated from payphones*
 - ii. Identify compensable calls*
 - iii. Identify incomplete or otherwise non-compensable calls; and*
 - iv. Determine the identities of the payphone service providers to which the Completing Carrier owes compensation*
- (d) Consistent with standards established by the American Institute of Certified Public Accountants for attestation engagements, the System Audit Report shall consist of:*
- (1) The Completing Carrier's Representation concerning its compliance, and*
 - (2) The Independent Auditor's opinion concerning the Completing Carrier's representation of compliance. The Completing Carrier's representation must disclose*
 - i. Its criteria for identifying calls originating from payphones;*
 - ii. Its criteria for identifying compensable payphone calls;*
 - iii. Its criteria for identifying incomplete of otherwise non-compensable calls;*
 - iv. Its criteria used to determine the identities of the payphone service providers to which the Completing Carrier owes compensation;*
- v. The identity of any clearing houses the Completing Carrier uses; and*
- vi. The types of information that the Completing Carrier needs from the payphone service providers in order to compensate them.*
- (e) At the time of the filing of System Audit Report with the Commission, the Completing Carrier shall file with the Commission's Secretary, and the facilities-based long distance carriers and payphone service providers identified in section 1320 (b), a statement that includes the name of the Completing Carrier, and the name, address, and phone number for the person or persons responsible for handling Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation, and this statement shall be updated with 60 days of any changes of such persons.*
- (f) One year after the filing of the System Audit Report, and annually thereafter, the Completing Carrier shall engage an independent third-party auditor to;*
- (1) Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
 - (2) If a material change has occurred concerning the*

Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria set forth in subparagraph (c). The Completing Carrier must fully disclose any material changes concerning its call tracking system in its representation to the auditor. The Completing Carrier shall file and provide copies of all System Audit Reports pursuant to the procedures set forth in subparagraph (b).

(g) Subject to the protections safeguarding the auditor's and the Completing Carrier's confidential and proprietary information, the Completing Carrier shall provide, upon request, to the payphone service provider for inspection any documents, including working papers, underlying the system.

The management of Iowa Communications Network is responsible for establishing and maintaining adequate systems and processes for its payphone call tracking system, and for ensuring their compliance with the applicable requirements of Section 64.1310(a) (1) of the FCC Report and Order in CC Docket 96-128, released on October 3, 2003, regarding The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 as referenced above.

ICN management has performed an evaluation of the company's compliance with the applicable requirements of CC Docket 96-128 using the criteria in 64.1320 (c) as the framework for the evaluation.

Based on this evaluation, Iowa Communications Network asserts that, as of December 31, 2015, Iowa Communications Network complies with all applicable requirements of CC Docket 96-128 for the audit period January 2015 through December 2015.

As required, Iowa Communications Network management has prepared the required assertion statements relating to ICN's Payphone Call Tracking Systems.

Iowa Communications Network is acknowledged as the Completing Carrier in the following call scenarios;

- Call is received via IXC and completed by ICN
- Call is received via LEC Feature Group and completed by ICN
- Call is received via PSP contract and completed by ICN

All assertions are from the point at which Iowa Communications Network has visibility to the call tracking data.

Alternative Compensation Agreements and Clearinghouse Agreements

Iowa Communications Network has no ACA (Alternative Compensation Agreements)² as defined by the rules as of December 2015.

Completed calls may include calls that are sent from the IXC, arranged specially for completion with the PSP or sent from a LEC Feature Group D trunk group.

During the period of our audit, there are no calls that are covered by special arrangement with PSPs, which would be routed through specific trunk groups. Therefore all trunk groups could carry compensable payphone calls, and are included in this audit.

ICN may receive some PSP calls via the LEC. However, as ICN does not have any ACA in place, callers using local PSP-provided payphones must have deposited cash/coin into the payphone in order to make the local call, and if directed, ultimately connect to the ICN switches. Those calls are not in consideration

for our audit, as they are not coinless. To the extent that any call would be considered coinless and reach the Iowa Communications Network switches, they would be identified as 04 answer type calls.

All potentially compensable calls received at the switches are delivered by Iowa Communications Network' IXC's.

Clearinghouse Agreements

ICN continues their relationship with Atlantax, Inc. to provide an outsourced solution to the record-keeping, validation and payment of Dial-Around Compensation requirements. To that end, much of the process described in the current processing and handling of Dial-Around Compensation ("DAC") is internal to Atlantax and has been audited by independent auditors. While we may reference aspects from their report in describing the overall process, we have not audited these systems and processes, and are relying on the information provided and audited by Atlantax and their independent auditors.

² The rules also permit Completing Carriers and PSP's to opt out of the rules. A Completing Carrier may employ alternative reporting and compensation arrangements, other than those mandated by the rules, so long as the PSP agrees to these arrangements.

Auditor's Comments

Completion of this audit does not imply that all payphone calls to this completing carrier have been actually compensated (that is, compensation has been paid to a payphone provider). The objective is to assert that the processes used by the completing carrier meet FCC requirements.

Payphone providers who feel that they may not have been compensated for calls request call records from IXC's. The IXC-provided call record indicates the name (CIC code) of the completing carrier. But the total number of calls from the payphone provider to the completing carrier does not necessarily reflect "completed calls" irrespective of the amount of time logged on the IXC record.

The problem for the payphone provider is that it only has visibility to the originating call as provided by the participating IXC, not the completing carrier call record, so it can only surmise what happened to the call after it was handled by the IXC. There is no indication on

the IXC call record as to the final disposition of the call. However, it is the reason for the final CC Rules and Order resting the responsibility for compensation with the Completing Carrier, who does have all necessary information to determine which calls were completed and are compensable.

The completing carrier should understand that the existence of this audit does not absolve any responsibility for demonstrating to payphone providers that it's (the PSP's) particular payphone-originated calls that have been compensated. That issue is between the completing carrier and the payphone provider. The audit simply states that the processes used by the completing carrier, and, the other FCC requirements, are met.

This distinction is not easy to understand and is the cause of much confusion between completing carrier and payphone provider.

The completing carrier understands that the payphone owner simply wants to be paid for compensable calls.

INDEPENDENT SERVICE AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors

Iowa Communications Network

Des Moines, IA

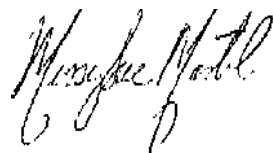
We have audited Iowa Communications Network' compliance with the types of compliance requirements described in FCC Docket 03-235, Section 64.1310, for the period ending December 31, 2015. Management is responsible for Iowa Communications Network' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about Iowa Communications Network' compliance based on our audit.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and Government Audit Standards, issued by the Comptroller General of the United States, and FCC Docket Order 03-235, and included examining, on a test basis, evidence about Iowa Communications Network' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Iowa Communications Network' compliance with specified requirements.

In our opinion, management's assertion that Iowa Communications Network complied with the aforementioned requirements for the year ended December 31, 2015 is fairly stated, in all material respects.

This report is intended solely for use by management of Iowa Communications Network Telecommunications, PSPs and other vendors of interest, the FCC in verification of fulfillment of Order 03-235, and the independent auditors associated with such organizations.

Signed,



Missy Sue Mastel, CPA, CGMA

Mass-Tel Communications
January 6, 2016

Management Assertions

To comply with FCC regulations, Iowa Communications Network makes the following assertions, where ICN is identified as the Completing Carrier:

FCC compliance § 64.1320 (c) Subsection (1)
Whether the Completing Carrier's procedures accurately track calls to completion.

- Iowa Communications Network' definition of the per-call rate of \$0.494 is in compliance with current (as of December 22, 2005) FCC rules.
- Iowa Communications Network' definition of a "Compensable Call" (payphone-originated call that completes over Iowa Communications Network' network in which Iowa Communications Network identifies itself as the Completing Carrier) is in compliance with FCC rules.
- Iowa Communications Network' definition of a "Completed Call" (call that is answered by the called party) is in compliance with FCC rules
- Iowa Communications Network' systems, or its contracted partner systems, are able to generate the following reports, on a monthly, quarterly, or on-demand basis:
 - A list of the toll free and access numbers dialed, and completed, from each PSP's payphones, with the ANI for each payphone.

- The volume of calls for each toll free, and access, number that was completed by ICN.
- The names, addresses, and phone numbers of the persons responsible for handling ICN' payphone compensation.
- The CIC code, or Trunk Routing Group, of all facilities based LD carriers that routed calls to Iowa Communications Network categorized according to toll-free and access code numbers.

- Iowa Communications Network' archival data storage requirement is in compliance with FCC rules.
- ICN's systems procedures for identifying PSP's are complete and have accurate rules.
- Iowa Communications Network' procedures for validating payphone ANI's are complete and have accurate rules.

FCC compliance § 64.1320 (c) Subsection (2)
Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.

- Iowa Communications Network has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls rules.

- Iowa Communications Network has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- Iowa Communications Network has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data rules.
- Iowa Communications Network has designated personnel who are responsible for developing compensation-tracking reports.
- Iowa Communications Network has designated personnel who are responsible for payphone compensation dispute resolution.

FCC compliance § 64.1320 (c) Subsection (3)
Whether the Completing Carrier has effective data monitoring procedures.

- Iowa Communications Network, and its compliance partners, has the ability to prepare monthly, quarterly or ad hoc, reports on payphone call counts, PSP identities and numbers-dialed.
- Iowa Communications Network performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- Iowa Communications Network has the ability to produce trend reports of excluded calls.
- Iowa Communications Network performs fraud-monitoring procedures to identify potentially illegitimate payphones.
- Iowa Communications Network, and its compliance partners have the ability to investigate and resolve PSP disputes.

FCC compliance § 64.1320 (c) Subsection (4)
Whether the Completing Carrier has effective data monitoring procedures.

- Iowa Communications Network has documented security controls in place to control access to, and monitor, call-tracking data.
- Iowa Communications Network has documented security controls in place to control access to, and monitor, the payment disbursement system rules.
- Iowa Communications Network has a department responsible for making software changes that affect payphone compensation
- Iowa Communications Network has established protocols to implement and test software changes affecting payphone compensation.
- Iowa Communications Network has application controls in place to ensure that network changes, external to payphone compensation, do not negatively affect payphone compensation.

FCC compliance § 64.1320 (c) Subsection (5)
Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.

- Iowa Communications Network utilizes switch data and SQL of defined parameters to populate the date, originating ANI, dialed number, and aggregate data into a compensable call file
- Iowa Communications Network uses payphone specific identifiers (info-

digits) to help identify a compensable payphone call record.

- Iowa Communications Network applies validation and control procedures to compile the Compensable Call File.

FCC compliance § 64.1320 (c) Subsection (6)

Whether the Completing Carrier has procedures to incorporate call data into required reports.

- Iowa Communications Network, and its compliance partners, are able to generate the following reports on a quarterly basis:
 - A list of the toll free and access numbers dialed and completed from each PSPs payphones, along with the ANI for each payphone except as noted in the details section
 - The volume of calls for each toll free and access number that was completed by Iowa Communications Network' switches.
 - The CIC code or Trunk routing group of all facilities based LD carriers that routed calls to Iowa Communications Network' switches categorized according to toll-free and access code numbers.
- Iowa Communications Network publishes for all interested parties the names, numbers, addresses of persons responsible for handling payphone compensation.
- Iowa Communications Network, via partner relationships, maintains a valid list of payphone owners by ANI

FCC compliance § 64.1320 (c) Subsection (7)

Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes.

- Iowa Communications Network maintains required call tracking data (archival information) from at least 27 months back
- Iowa Communications Network has the ability to investigate and resolve PSP disputes.
- Iowa Communications Network and its compliance partners, have designated personnel who are responsible for payphone compensation dispute resolution.

FCC compliance § 64.1320 (c) Subsection (8)

Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.

- Iowa Communications Network has procedures to identify payphone-originated calls.
- Iowa Communications Network has procedures to capture dial-around calls.
- Iowa Communications Network has procedures to exclude incomplete calls from the compensable call file.
- Iowa Communications Network has procedures to accurately populate call record data in the compensable call file.
- Iowa Communications Network, via Iowa Communications Network, has procedures to exclude non-compensable calls from the compensable call file.

FCC compliance § 64.1320 (c) Subsection (9)

Whether the Completing Carrier has in place

adequate and effective business rules for implementing and paying payphone compensation, including rules used to:

- (v) Identify calls which originated from payphones;*
- (vi) Identify compensable payphone calls;*
- (vii) Identify incomplete or otherwise non-compensable calls; and*
- (viii) Determine the identities of the payphone service providers to which the Completing Carrier owes compensation.*

- *Iowa Communications Network has business rules that identify calls originated from payphones.*
- *Iowa Communications Network has business rules that identify compensable payphone calls.*
- *Iowa Communications Network has business rules that exclude incomplete calls*
- *Iowa Communications Network has business rules to determine the identities of the payphone service providers to which Iowa Communications Network owes compensation.*

Required Disclosures

Iowa Communications Network required disclosures per FCC 64.1320 (d)

- Iowa Communications Network criteria for identifying calls originating from payphones include call record info-digit identification.
 - Iowa Communications Network' criteria for identifying compensable payphone calls include all calls with answer supervision. ICN does not have any PSP Alternative Compensation Arrangements (ACA) in place, and therefore, there are no exclusions.
 - Iowa Communications Network' criteria for identifying incomplete or otherwise non-compensable calls include;
 - Calls with answer supervision codes that are not completed, like attempted or unable to complete.
 - Iowa Communications Network' criteria used to determine the identities of the PSP's to which Iowa Communications Network owes compensation is established by processes in place at third party clearinghouses, the intent of which is solely to manage these responsibilities.
- The type of information the Iowa Communications Network needs from the PSP's in order to compensate the PSP's is determined by a standard invoice in place at the clearinghouses, designed by the PSP aggregator APCC.

Appendix A-GAGAS

1. Relationship between GAGAS and AICPA and other standards

(Excerpt)

1.07 Even if not required to do so, auditors may find it useful to follow GAGAS in performing audits for federal, state, and local government programs as well as in performing audits of government awards administered by contractors, nonprofit entities, and other non-government entities. May audit organizations not formally required to do so, both in the United States of America and in other countries, voluntarily follow GAGAS.

1.08 Auditors may provide professional services, other than audits and attestation engagements, that consist solely of gathering, providing, and explaining information requested by decision makers or by providing advice or assistance to officials of the audited entity. GAGAS are not applicable to non-audit services, which are described more fully in Chapter 2. However, providing non-audit services may affect an audit organization's independence to conduct audits, which is discussed in Chapter 3.

1.09 GAGAS may be used in conjunction with professional standards issued by other authoritative bodies. For example, the American Institute of Certified Public Accountants (AICPA) has issued

professional standards that apply in financial audits and attestation engagements performed by certified public accountants (CPA). GAGAS incorporate the AICPA's field work and reporting standards and the related statements on auditing standards for financial audits unless specifically excluded, as discussed in Chapters 4 and 5. GAGAS incorporate the AICPA's general standard on criteria, and the field work and reporting standards and the related statements on the standards for attestation engagements, unless specifically excluded, as discussed in Chapter 6. To meet the needs of the users of government audits and attestation engagements, GAGAS also prescribe requirements in addition to those provided by the AICPA for these types of work.

Appendix B-References & Definitions

(*) except as noted in the details (Supplemental Information) section. In some cases, there may appear to be minor deviations to the regulations. For example, the rules imply the completing carrier have several persons doing specific jobs: A switch engineer (contact) and an IT manager (contact). In some carriers, this is the same person. Where this completing carrier exhibits these small discrepancies, they are so noted in the Supplemental Information section. They do not affect the integrity of the audit or the validity of the data.

Dial Around Compensable Rate:

The amount paid to the payphone operator by the completing carrier for a completed DAC call. The rate is currently included in the Iowa Communications Network accounting procedures. Changes will be made when required by the FCC.

Compensable Call:

A compensable call is a completed coinless payphone originated call.

Completed Call:

A call is considered completed when it receives answer supervision from the switch. But the definition can be more complicated. Calls from many of Iowa Communications Network' customers are to destinations worldwide, in many cases where reliable call completion

(answer supervision) may not always be available, reliable, or is "simulated" by the foreign ILEC due to antiquated CPE equipment. In other cases, the 800 portion of the call receives answer supervision when it is received by the Completing Carrier into the switch, but the call is compensable only when it finally delivered to the dialed party, and answer supervision is sent by the end party CPE. ICN attempts calls for 60 seconds before disconnecting the call.

Clearinghouse

Third party entity that performs some of the functions required to compensate payphone owners.

UTC:

Universal Coordinated Time (otherwise known as Greenwich Mean Time)

Supplemental Information Section:

As an adjunct to this audit, a significant amount of material is attached, including test call documentation and flowcharts explaining the DAC process. References in this portion of the audit to "details" are to this material. References to "exceptions" are where the wording in the FCC Ruling and Order are open to interpretation, such as in the discussion of completed call definition above. The Supplemental Information is available to the inquiring PSP at the completing carrier's offices.

Appendix C-FCC 03-235

64.1310 Payphone compensation procedures

64.1310 Payphone compensation procedures

(a) Unless the payphone service provider agrees to other compensation arrangements, each Completing Carrier identified in section 64.1300 (a) shall compensate the payphone service provider as follows:

(1) Each Completing Carrier shall establish a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion.

(2) Each Completing Carrier shall pay compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the Completing Carrier's quarterly report required by section 64.1310(a) (4).

(3) At the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones.

(4) At the conclusion of each quarter, the Completing Carrier shall submit to the payphone service provider, in computer readable format, a report on that quarter that includes:

(A) A list of the toll-free and access numbers dialed from each of that payphone service

provider's payphones and the ANI for each payphone;

(B) The volume of calls for each number identified in subparagraph (a) (4) (A) that were completed by the Completing Carrier; and

(C) The name, address, and phone number of the person or persons responsible for handling the Completing Carrier's payphone compensation.

(D) The carrier identification code (CIC) of all facilities-based long distance carriers that routed calls to the Completing Carrier, categorized according to sub-paragraph (a) (4) (A) list of toll-free and access code numbers.

(b) For purposes of this subpart, and Intermediate Carrier is a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.

(c) Unless the payphone service provider agrees to other reporting arrangements, each Intermediate Carrier shall provide the payphone service provider with quarterly reports, in computer readable format, that include;

(1) A list of all the facilities-based long distance carriers to which the Intermediate Carrier switched toll-free and access code calls.

(2) For each Facilities-based long distance carrier identified in paragraph (b) (1), a list of toll-free and access code numbers that all local exchange carriers have delivered to the Intermediate Carrier and that the Intermediate Carrier switches to the identified facilities-based long distance carrier.

- (3) The volume of calls for each number identified in paragraph (b)(2) that the Intermediate Carrier has received from each of that payphone service provider's payphones, identified by their ANIs, and switched to each facilities-based long distance carrier identified in paragraph (b)(1); and
- (4) The name, address, and telephone number and other identifying information of the person or persons for each facilities-based long-distance carrier identified in paragraph (b) (1) who serves as the Intermediate Carrier's contact at each identified facilities-based long distance carrier.

Appendix D-FINAL RULES FCC 03-235

§64.1310 Payphone compensation procedures

Note: Section 64.1300 is amended by revising paragraph (a), adding new paragraph (b) and re-designating prior paragraphs (b) and (c) as (c) and (d) to read as follows:

64.1310 Payphone compensation procedures

(a) Unless the payphone service provider agrees to other compensation arrangements, each Completing Carrier identified in section 64.1300 (a) shall compensate the payphone service provider as follows:

(1) Each Completing Carrier shall establish a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion.

(2) Each Completing Carrier shall pay compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the Completing Carrier's quarterly report required by section 64.1310(a) (4).

(3) At the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones.

(4) At the conclusion of each quarter, the Completing Carrier shall submit to the payphone service provider, in computer readable format, a report on that quarter that includes:

(A) A list of the toll-free and access numbers dialed from each of that payphone service provider's payphones and the ANI for each payphone;

(B) The volume of calls for each number identified in subparagraph (a) (4) (A) that were completed by the Completing Carrier; and

(C) The name, address, and phone number of the person or persons responsible for handling the Completing Carrier's payphone compensation.

(D) The carrier identification code (CIC) of all facilities-based long distance carriers that routed calls to the Completing Carrier, categorized according to sub-paragraph (a) (4) (A) list of toll-free and access code numbers.

(b) For purposes of this subpart, and Intermediate Carrier is a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.

(c) Unless the payphone service provider agrees to other reporting arrangements, each Intermediate Carrier shall provide the payphone service provider with quarterly reports, in computer readable format, that include;

(1) A list of all the facilities-based long distance carriers to which the Intermediate Carrier switched toll-free and access code calls.

(2) For each Facilities-based long distance carrier identified in paragraph (b) (1), a list of toll-free and access code numbers that all local exchange carriers have delivered to the Intermediate Carrier and that the Intermediate Carrier switches to the identified facilities-based long distance carrier.

- (3) The volume of calls for each number identified in paragraph (b)(2) that the Intermediate Carrier has received from each of that payphone service provider's payphones, identified by their ANIs, and switched to each facilities-based long distance carrier identified in paragraph (b)(1); and
- (4) The name, address, and telephone number and other identifying information of the person or persons for each facilities-based long-distance carrier identified in paragraph (b) (1) who serves as the Intermediate Carrier's contact at each identified facilities-based long distance carrier.
- (g) Each Completing Carrier and each Intermediate Carrier must maintain verification data to support their subparagraph (a) (4) and subparagraph (c) quarterly reports for 18 months after the close of that quarter. This data must include the time and date that each call identified in subparagraph (a) (4) and subparagraph (c) was made. This data must be provided to the payphone service provider upon request.

Note: Section 64.1320 is amended by revising the Title, paragraphs (a) and (b), and by adding paragraphs (c), (d), (e), (f), and (g), to read as follows;

§64.1320 Payphone Call Tracking System Audits

- (a) As a precondition to tendering payment pursuant to section 64.1310(a), all Completing Carriers must undergo a system audit of their section 64.1310(a) (1) tracking system by an independent third party auditor whose responsibility

shall be, using audit methods approved by the American Institute for Certified Public Accountants, to determine whether the call tracking system accurately tracks payphone calls to completion.

- (b) By the effective date of these rules, each Completing Carrier in paragraph (a) must file an audit report from the auditor (the "System Audit Report") regarding the Completing Carrier's compliance with section 64.1310(a) (1) as of the date of the audit with the Commission's secretary in CC Docket 96-128 and with each payphone service provider for which it completes calls and with each facilities-based long distance carrier from which it receives payphone calls.

- (c) The Completing Carrier must comply with, and the third-party auditor must verify, the Completing Carrier's compliance with the following factors in establishing a call tracking system pursuant to section 64.1310(a)(1):

(1) Whether the Completing Carrier procedures accurately track calls to completion;

(2) Whether the Completing Carrier has a person responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls;

(3) Whether the Completing carrier has effective data-monitoring procedures;

(4) Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone tracking ability;

- (5) *Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers;*
- (6) *Whether the Completing Carrier has procedures to incorporate call data into required reports;*
- (7) *Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes;*
- (8) *Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial; and*
- (9) *Whether the Completing Carrier has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to:*
 - a. *Identify calls originated from payphones*
 - b. *Identify compensable calls*
 - c. *Identify incomplete or otherwise non-compensable calls; and*
 - d. *Determine the identities of the payphone service providers to which the Completing Carrier owes compensation*
- (d) *Consistent with standards established by the American Institute of Certified Public Accountants for attestation engagements, the System Audit Report shall consist of:*
 - (1) *The Completing Carrier's Representation concerning its compliance, and*
 - (2) *The Independent Auditor's opinion concerning the Completing Carrier's representation of compliance. The Completing Carrier's representation must disclose*
 - i. *Its criteria for identifying calls originating from payphones;*
 - ii. *Its criteria for identifying compensable payphone calls;*
 - iii. *Its criteria for identifying incomplete of otherwise non-compensable calls;*
 - iv. *Its criteria used to determine the identities of the payphone service providers to which the Completing Carrier owes compensation;*
 - v. *The identity of any clearing houses the Completing Carrier uses; and*
 - vi. *The types of information that the Completing Carrier needs from the payphone service providers in order to compensate them.*
- (e) *At the time of the filing of System Audit Report with the Commission, the Completing Carrier shall file with the Commission's Secretary, and the facilities-based long distance carriers and payphone service providers identified in section 1320 (b), a statement that includes the name of the Completing Carrier, and the name, address, and phone number for the person or persons responsible for*

handling Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation, and this statement shall be updated with 60 days of any changes of such persons.

- (h) One year after the filing of the System Audit Report, and annually thereafter, the Completing Carrier shall engage an independent third-party auditor to;*
 - (1) Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
 - (2) If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria set forth in subparagraph (c). The Completing Carrier must fully disclose any material changes concerning its call tracking system in its representation to the auditor. The Completing Carrier shall file and provide copies of all System Audit Reports pursuant to the procedures set forth in subparagraph (b).*
- (i) Subject to the protections safeguarding the auditor's and the Completing Carrier's confidential and proprietary information, the Completing Carrier shall provide, upon request, to the payphone service provider for inspection any documents, including working papers, underlying the system.*

Appendix E – Payphone Compensation Criteria-Info Digit Parameter Definitions

Info-digits, which we use in our testwork to assist with the identification of payphone calls, follows a strict numbering system set by NANP- the North American Numbering Plan.

On October 16, 2012, the APCC³ informed all completing carriers of the FCC's new Declaratory Ruling Order, WC Docket No 11-41,⁴ confirming that Completing Carriers must compensate payphone operators for all completed calls, regardless of whether they are accompanied by specific coding digits.

Iowa Communications Network does not use info-digits in their compensable call database. We look at 5 different codes that could be DAC compensable.

07

Special Operator Handling Required-calls generated from stations that require further operator or Operator Services System screening accompanied by the "07" code. The code is used to route the call to an operator or Operator Services System for further screening and to determine if the station has a denied-originating class of service or special routing/billing procedures. If the call is unauthorized, the calling party will be routed a standard intercept message

25

Code 25 identifies a toll free service call that has been translated to a Plain Old Telephone Service routable number via the toll free database that

³ American Public Communications Council, Inc. They appear to be the largest aggregator of independent payphone service providers and the most active advocate for payphone owner's rights.

⁴ Section 36

originated from a pay station, including inmate telephone service. Specifically, ANI II 27, 29, 70

will be replaced with Code 25 under the above stated condition.

27

ANI II 27 identifies a line connected to a pay station which uses network provided coin-control signaling. ANI II 27 is used to identify this type of pay station line irrespective of whether the pay station is provided by a LEC or a non-LEC. 27 is transmitted from the originating end office on all calls made from these lines.

29

Prison/Inmate Service – the ANI II digit pair 29 is used to designate lines within a confinement/detention facility that are intended for inmate/detainee use and require outward call screening and restriction (e.g. 0+ collect-only service). A confinement/detention facility may be defined as including, but not limited to, Federal, State, and/or Local prisons, juvenile facilities, immigration and naturalization confinement/detention facilities, etc., which are under the administration of Federal, State, City, County, or other Governmental agencies. Prison/Inmate Service lines will be identified by the customer requesting such a call screening and restriction. In those cases where private pay stations are located in confinement/detention facilities, and the same call restrictions applicable to Prison/Inmate Service required, the ANI II digit for Prison/Inmate Service will apply if the line identified for Prison/Inmate Service by the customer.

70

Code 70 identifies a line connected to a pay station (including both coin and coinless stations) which does not use network provided coin control signaling. II 70 is used to identify this type pay station line irrespective of whether the pay station is provided by a LEC or a non-LEC. II 70 is transmitted from the originating end office on all calls made from these lines.